Consolidated Financial Statements

of the Government of Alberta

Annual Report

2011-2012

Alberta

This is the report to Albertans on ***Budget 2011: Building a Better Alberta***
It is a permanent public record of the dollars spent and the results achieved by the Government of Alberta for the 2011-12 fiscal year.

The Government of Alberta Annual Report consists of two parts:

- ***Consolidated Financial Statements***, which provide an overall accounting of the government's revenue and spending, and assets and liabilities.
- ***Measuring Up***, which reports on the progress that has been made towards achieving the government's goals. *Measuring Up* is published in a separate document.

Annual reports for each ministry have also been published, providing additional detailed information on performance and financial results.

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE OF ALBERTA

Year Ended March 31, 2012

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are a consolidation of ministry financial statements, which themselves are a consolidation of the financial statements of departments, regulated funds, Provincial agencies, Crown-controlled corporations and SUCH sector organizations, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities. A listing of these organizations is provided in Schedule 14 of the financial statements.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board and Enterprise as authorized by the President of Treasury Board and Enterprise pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the management maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, Alberta Health Services and other health entities from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Annette Trimbee
Deputy Minister of Treasury Board and Finance

Gisele Simard, CA
Acting Controller

Edmonton, Alberta
June 20, 2012

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements
I have audited the accompanying consolidated financial statements of the Province of Alberta which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2012, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 20, 2012

Edmonton, Alberta

Consolidated Statement of Operations

Year Ended March 31

	2012	2011
	In millions	
Revenues (Schedule 1)		
Income taxes	$ 11,948	$ 10,791
Other taxes	4,099	3,820
Non-renewable resource revenue	11,636	8,428
Transfers from Government of Canada	5,192	5,452
Net income from government business enterprises (Schedule 6)	2,393	2,337
Net investment income	2,168	2,486
Premiums, fees and licences	1,942	1,986
Other	3,724	3,502
	43,102	38,802
Expenses by function (Schedules 2 and 3)		
Health	16,284	15,393
Education	11,951	11,362
Social services	4,164	4,014
Transportation, communications and utilities	1,970	1,870
Agriculture, resource management and economic development	1,830	1,859
Protection of persons and property	1,866	1,592
Regional planning and development	1,109	1,139
Recreation and culture	366	376
Housing	285	419
Environment	318	346
General government	1,930	1,783
Debt servicing costs	509	472
Pension provisions (Schedule 10)	634	439
	43,216	41,064
Annual deficit	(114)	(2,262)
Net assets at beginning of year	59,260	61,534
Other (Note 12)	(33)	(12)
Net assets at end of year	$ 59,113	$ 59,260

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at March 31

	2012	2011
	In millions	
Financial assets		
Cash and cash equivalents (Schedule 4)	$ 6,144	$ 6,050
Accounts and accrued interest receivable	5,043	5,172
Portfolio investments (Note 11 and Schedule 5)	31,880	34,895
Equity in government business enterprises (Schedule 6)	2,739	2,612
Loans and advances (Schedule 7)	12,462	10,669
Inventories for resale	137	93
	58,405	59,491
Liabilities		
Accounts and accrued interest payable	9,860	10,607
Unmatured debt (Note 6 and Schedule 8)	4,748	4,712
Debt of Alberta Capital Finance Authority (Schedule 9)	11,045	9,660
Pension liabilities (Schedule 10)	10,556	9,922
Other accrued liabilities (Schedule 11)	1,261	1,203
Liabilities under public private partnerships (Note 7)	1,944	1,734
	39,414	37,838
Net financial assets	18,991	21,653
Non-financial assets		
Tangible capital assets (Schedule 12)	39,830	37,338
Inventories of supplies	144	140
Prepaid expenses	148	129
	40,122	37,607
Net assets	$ 59,113	$ 59,260

Contractual obligations and contingent liabilities (Notes 8 and 9)

Endowment funds (Note 11)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31

	2012	2011
	In millions	
Annual deficit	$ (114)	$ (2,262)
Acquisition of tangible capital assets and inventories of supplies	(4,749)	(5,267)
Additions to public private partnerships, capital leases and donated capital	(298)	(556)
Amortization of tangible capital assets and consumption of inventories of supplies	2,497	2,417
Net gain on disposal and write-down of tangible capital assets	(15)	(12)
Reclassification of land to inventories for resale	-	5
Proceeds on sale of tangible capital assets	39	28
Increase in prepaid expenses	(19)	(8)
Change in accumulated unrealized losses (Schedule 6)	(3)	(44)
Net increase in endowments (Note 12)	59	50
Consolidation adjustments relating to SUCH sector	(53)	(10)
Other	(6)	(5)
Decrease in net financial assets	(2,662)	(5,664)
Net financial assets at beginning of year	21,653	27,317
Net financial assets at end of year	$ 18,991	$ 21,653

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31	2012	2011
	In millions	
Operating transactions		
Annual deficit	$ (114)	$ (2,262)
Non-cash items		
Amortization of tangible capital assets and consumption of inventories of supplies	2,497	2,417
Other	225	(90)
	2,608	65
Decrease (increase) in receivables	110	(135)
(Decrease) increase in payables	(746)	433
Other	(41)	(52)
Cash provided by operating transactions	1,931	311
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(4,749)	(5,267)
Proceeds on sale of tangible capital assets	39	28
Cash applied to capital transactions	(4,710)	(5,239)
Investing transactions		
Purchase of portfolio investments	(11,373)	(17,675)
Disposals of portfolio investments	14,734	19,308
Loans and advances made	(2,716)	(842)
Repayment of loans and advances	858	333
Cash provided by investing transactions	1,503	1,124
Financing transactions		
Debt retirement	(11,637)	(7,579)
Debt issues	13,022	7,667
Repayment of liabilities under capital leases and public private partnerships	(28)	(20)
Other	13	7
Cash provided by financing transactions	1,370	75
Increase (decrease) in cash and cash equivalents	94	(3,729)
Cash and cash equivalents at beginning of year	6,050	9,779
Cash and cash equivalents at end of year	$ 6,144	$ 6,050

The accompanying notes and schedules are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

These financial statements include the accounts of all organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities.

A listing of these organizations is provided in Schedule 14.

(b) Method of Consolidation

The accounts of government sector entities and Crown-controlled SUCH sector entities, except those designated as government business enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included with the government's results. Revenue, expense, capital, investing and financing transactions, as well as related asset and liability balances between consolidated entities have been eliminated. Asset retirement obligations of the SUCH sector organizations have been included in the Province's financial statements.

Public sector accounting standards allow that when the scope of activities reported in the budget is different from the scope of activities reported in the financial statements, the budget to actual comparison may be done on the same reporting basis as presented in the budget. The reporting entity for financial statement purposes includes those entities that are deemed to be controlled by the Province for accounting purposes. These controlled entities include Crown-controlled SUCH sector organizations and the four Alberta Innovates Corporations. However, these entities are not included in the Province's budget on a line-by-line basis. As a result of this difference in scope, a comparison between the budgeted results and the actual results is not meaningful without detailed reconciliation. Therefore, in these financial statements, there is no "Budget" column on the Consolidated Statement of Operations, the Consolidated Statement of Change in Net Financial Assets or in other Notes or Schedules throughout the statements. Rather, a reconciliation between budgeted results and actual results is shown in Note 5 with the actual results presented on the same reporting basis as the budget.

Schools, colleges, technical institutes and some Provincial agencies have year ends that are other than March 31. The significant transactions of these organizations that have occurred during the period between their year ends and the Province's year end of March 31, 2012, have been recorded in these financial statements.

The accounts of Provincial agencies designated as government business enterprises, such as ATB Financial (see Schedule 6), are accounted for on the modified equity basis, with the equity being computed in accordance with the accounting standards applicable to these entities. Under the modified equity method, the accounting policies of commercial enterprises are not adjusted to conform to those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated.

(c) Future Changes in Accounting Policy

In fiscal year 2012-13, the Province will adopt the following new accounting standards of the Public Sector Accounting Board:

PS 3410 Government Transfers

Under the various amendments to the Government Transfers guidance, specifically a transferring government recognizes an expense when the transfer is authorized and recipients have met the eligibility criteria. A recipient government recognizes the transfer as revenues when the transfer is authorized by the transferring government, unless a liability is created for the recipient. For a recipient, the transferring government's authorization must be in place by the financial statement date. Revenue is recognized when the liability is settled. The Province is currently analyzing the impact of this standard on its financial statements.

PS 3450 Financial Instruments

All government controlled organizations will adopt this standard in fiscal year 2012-13. Items within the scope of the section are assigned to one of two measurement categories: fair value, or cost or amortized cost. Fair value measurement will apply to derivatives and portfolio investments in equity instruments that are quoted in an active market. Also, when groups of financial assets and financial liabilities are managed on a fair value basis they may be reported on that basis. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized, gains and losses arising due to fair value remeasurement will be reported in the Statement of Remeasurement Gains and Losses.

The Province, in their consolidated financial statements, has the option of adopting this standard in fiscal year 2015-16 or earlier and is currently analyzing the impact of this standard on its financial statements.

PS 3510 Tax Revenue

Under this section, which is effective for fiscal year 2012-13, transfers made through a tax system should be recognized as expenses and not as a reduction of revenues. The impact of this on the Province's financial statements is currently being analyzed. At this time, two impacts have already been identified. The Province will report retroactively the Alberta Family Employment Tax Credit and the Scientific Research and Experimental Development Tax Credits on a gross basis. The impact of this change in accounting policy will increase total expenses and revenues with no impact on net operating results.

(d) Basis of Financial Reporting for Government Entities and Crown-controlled SUCH Sector Entities

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

Corporate income tax revenue is recognized when instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable. An estimated allowance for doubtful accounts on corporate income taxes under objection is included in net corporate tax revenue.

Personal income tax is recognized on an accrual basis based on an economic estimate of the various components of personal income tax for the fiscal year. Gross personal income tax for the taxation year is a key component of the estimate for the fiscal year.

Note 1 (continued)

The provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various Acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are deferred and included in accounts payable. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Payments received prior to meeting this criterion are included in accounts payable until the resources are used for the purpose specified.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liabilities, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 10 provides additional information on the components of pension liabilities.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions.

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's best estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is recorded in the appropriate expense function.

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, and inventories for resale at the year end.

Cash and cash equivalents are valued at the lower of cost or fair value, on an aggregate basis.

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Cost includes amortization of discount or premium using the straight line method over the life of the investments. Realized gains and losses on disposals of these investments are included in calculating the net operating results for the year. If an investment loses value that is other than a temporary decline, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at the lower of cost or net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

The value of pension liabilities and associated changes during the year are based on an actuarial extrapolation of the most recent actuarial valuation. This valuation technique uses the projected benefit method pro-rated on service, and management's best estimate as at the extrapolation date of various economic and non-economic assumptions. Where the Province is a participating employer in the plan, experience gains and losses to the extent of the Province's employer share are amortized over the estimated average remaining service life of employees.

Debentures included in unmatured debt are recorded at their face amount less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps used to manage interest rate exposure is recorded as an adjustment to debt servicing costs.

Liabilities also include:

- all financial claims payable by the Province at the year end,
- estimates of the Province's liabilities for site remediation and reclamation,
- accrued employee vacation entitlements, and
- asset retirement obligations of the SUCH sector organizations.

Non-financial Assets

Non-financial assets are limited to tangible capital assets, inventories of supplies and prepaid expenses.

Tangible capital assets of government business enterprises are included in the Consolidated Statement of Financial Position within Equity in government business enterprises. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included on the Consolidated Statement of Financial Position. Post-secondary institutions and certain departments have collections consisting of historical artifacts and provincial, national and international works of art. The value of these collections is not recognized in these financial statements.

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight-line basis over the periods expected to benefit from their use (see Schedule 12). The annual amortization costs are allocated to the functions of the government that employ those assets and are reported on the Consolidated Statement of Operations.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense on derivative contracts are recorded as investment income or debt servicing costs. Certain derivative contracts, which are primarily interest rate swaps reported as interest rate derivatives for which there is an underlying matching asset and liability, are recorded at cost plus accrued interest. Gains and losses from these derivatives are recognized in the same period as the gains and losses of the underlying assets and liabilities.

Other derivative contracts which are primarily bond index swaps reported as interest rate derivatives, equity index swaps and equity index futures reported as equity replication derivatives, and forward foreign exchange contracts reported as foreign currency derivatives, are recognized at fair value (see Note 4) in portfolio investments and net investment income.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end exchange rate.

Foreign currency transactions are translated into Canadian dollars using average exchange rate for the day, except for hedged foreign currency transactions which are translated at exchange rates established by the terms of the forward exchange contracts.

Exchange gains and losses that arise on translation of fixed term foreign currency denominated monetary items are deferred and amortized over the life of the contract.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of the net operating results for the year.

Public Private Partnerships

A public private partnership (P3) is defined as a cooperative venture based on a contract between the Province and one or more public or private partners that meet clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying agreements. Agreements that transfer substantially all the risks and rewards of ownership of the assets to the Province are classified as capital leases and are accounted for as follows:

- the capital asset value and the corresponding liabilities are recorded at the net present value of the minimum lease payments discounted using the Province's borrowing rate for long term debt at the time of signing the P3 agreement,
- during construction the capital asset (classified as work in progress) and the corresponding liability are recorded based on the estimated percentage of completion, and
- amortization is accounted for on a straight-line basis over the estimated useful life and commences when the asset is in service.

Measurement Uncertainty

Estimates are used in accruing revenues, expenses, assets and liabilities in circumstances where the actual results are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes; royalties derived from non-renewable resources; health transfers and Canada social transfer entitlements; private investments, inflation sensitive and alternative investments; and pension liabilities.

Personal income tax revenue of $8,450 million (2011: $7,516 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 6.7% (2011: 4.7%).

Corporate income tax revenue of $3,498 million (2011: $3,275 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments. The Province records corporate income tax revenue as instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. An allowance for doubtful accounts is estimated and included net of revenue.

Natural gas and by-products royalty of $1,304 million (2011: $1,416 million), and bitumen royalty of $4,513 million (2011: $3,723 million), see Schedule 1, are subject to measurement uncertainty. Natural gas and by-products royalty is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Province by royalty payers. These costs and volumes could vary significantly from that initially reported. The Province estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data.

Health transfers and Canada social transfer entitlements are subject to uncertainty relating to the tax transfer component. The current value of income tax points (personal and corporate) transferred historically by the federal government are used to adjust the entitlements. The value of the tax transfer amounts is unknown at year end because the tax years have not yet been assessed. Accordingly, these amounts are estimated and could change by a material amount.

Private equities, inflation sensitive and alternative investments of $5,064 million (2011: $4,683 million), see Schedule 5, are subject to measurement uncertainty as the fair value may differ significantly from the values that would have been used had a ready market for these investments existed.

Pension liabilities of $10,556 million (2011: $9,922 million), see Schedule 10, are subject to measurement uncertainty because a plan's actual experience may differ significantly from assumptions used in the calculation of the plan's accrued benefits.

The accounts of SUCH sector organizations are consolidated based on the results of their latest financial year end. Some of these entities have year ends that are other than March 31. Estimation of transactions for the period between their year ends and March 31 is therefore subject to measurement uncertainty.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

Segment Disclosure

Sector information is reported in Note 5 and Schedules 1, 2 and 6 and is based on accountability, budgetary practices and governance relationships within the reporting entity. Additional information is provided in ministry and other entity annual reports.

NOTE 2 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Due to their short term nature, the fair values of cash and cash equivalents, accounts and accrued interest receivable, accounts and accrued interest payable, and other accrued liabilities are estimated to approximate their book values.

Note 2 (continued)

The methods used to determine the fair values of cash equivalents and portfolio investments are explained in the following paragraphs:

Public fixed-income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages, private interest bearing debt, and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of inflation sensitive and alternative investments including absolute return strategy investments, investments in limited partnerships, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Because quoted market prices are not readily available for inflation sensitive and alternative investments, private equities and real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's (the Authority) current cost of borrowing. Fair values of other loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability. The fair value of unmatured debt and debt held by the Authority is an approximation of its fair value to the holder.

The fair value of derivative contracts relating to portfolio investments is disclosed in Schedule 5. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Forward foreign exchange contracts and futures contracts are valued based on quoted market prices. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure change in the underlying swap. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Warrants and rights are valued at the year end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Asset Management

The investments that the Province holds are exposed to credit risk and market risk. Market risk is comprised of currency risk, interest rate risk and price risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4).

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund), which also includes money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Scholarship Fund, and the Alberta Cancer Prevention Legacy Fund are managed to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science and engineering, and to selected students.

The General Revenue Fund also holds a portion of the Province's investments. General Revenue Fund investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters, and settlements with First Nations.

(b) Liability Management

The objective of the Province's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Province manages four risks: interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance to their terms (see Schedule 8).

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

A derivative is a financial contract with the following three characteristics:

- its value changes in response to the change in a specified interest rate, equity index price, foreign exchange rate or credit rating,
- it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market, and
- it is settled in the future.

The Province uses various types of derivative contracts held indirectly through pooled investment funds or directly held by ATB Financial and Alberta Capital Finance Authority to gain access to equity markets and enhance returns or to manage exposure to interest rate risk, currency risk, price risk and credit risk. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party.

Interest rate derivatives allow the Province to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps, cross currency interest rate swaps, bond index swaps, futures contracts, and options.

Equity replication derivatives allow for the Province to receive or pay cash based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants and options.

Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Note 4 (continued)

Credit risk derivatives include credit default swaps allowing the Province to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount, in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

The following is a summary of the fair values and maturity schedules of the Province's derivative contracts by type:

	Maturity			Contract Notional Amount [a][b]	Fair Value [b][c]
	Under 1 Year	1 to 3 Years	Over 3 Years		
				In millions	
Interest rate derivatives	50%	5%	45%	$ 32,301	$ (520)
Equity replication derivatives	70%	25%	5%	13,829	150
Foreign currency derivatives	99%	1%	0%	7,761	(19)
Credit risk derivatives	38%	17%	45%	2,219	(26)
Commodity derivatives	49%	51%	0%	4,234	8
Derivatives-related receivables, net				60,344	(407)
Deposits in futures contracts margin accounts					8
Deposits as collateral for derivative contracts					6
Net derivative-related investments 2012				$ 60,344	$ (393)
Net derivative-related investments 2011				$ 57,876	$ 261

(a) The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). Credit exposure is limited by dealing with counterparties believed to have good credit rating (A+ or greater).

(b) Includes derivatives of ATB Financial with a contract notional amount of $24,789 million (2011: $22,945 million) and a fair value of $65 million (2011: $17 million). Also includes derivatives of Alberta Capital Finance Authority with a contract notional amount or $12,281 million (2011: $10,723 million) and a net fair value of $(600) million (2011: $(5) million).

(c) The method of determining the fair value of derivative contracts is described in Note 2.

NOTE 5 BUDGET

The Consolidated Fiscal Plan documents, which describe the Province's budget for the 2012 fiscal year, were tabled in the Legislature on February 24, 2011. The reporting entity for budget purposes excludes Crown-controlled SUCH sector organizations and the four Alberta Innovates Corporations. However, these are included in the reporting entity for reporting actual results in the consolidated financial statements because these entities are deemed to be controlled by the Province for accounting purposes. For fiscal policy purposes, the budget also excludes the change in pension liabilities.

When there is a difference in scope and basis between the activities reported in the budget and those reported in the financial statements, public sector accounting standards allow that the budget to actual comparison may be done on the same reporting basis as the budget. As a result, the actual results have been presented excluding the Crown-controlled SUCH sector organizations, the Alberta Innovates Corporations and pension liabilities.

Note 5 (continued)

This table uses the same grouping of financial assets and liabilities as the budget presented in the Fiscal Plan:

	2012		2011
	Budget [d]	Actual without SUCH and Innovates Corporations	Actual without SUCH and Innovates Corporations
		In millions	
Financial assets			
Heritage Fund external investments	$ 14,482	$ 14,652	$ 14,198
Self-supporting lending organizations [a]	13,637	14,470	12,606
Alberta Sustainability Fund [b]	5,292	7,497	11,192
Endowments and other funds [c]	3,249	3,284	3,302
Debt Retirement Account (Note 6)	503	503	843
Other financial assets	9,964	10,855	9,579
	47,127	51,261	51,720
Liabilities			
Self-supporting lending organizations [a]	12,425	13,219	11,627
Accumulated debt (Note 6)	488	480	828
Liabilities for capital projects	5,222	3,442	3,199
Accounts and interest payable and other liabilities	7,726	7,383	7,952
	25,861	24,533	23,606
Net financial assets - fiscal plan basis	21,266	26,728	28,114
Tangible capital assets and inventories of supplies	21,057	20,342	18,975
Net assets - fiscal plan basis	$ 42,323	47,070	47,089
Pension liabilities [e]		(10,333)	(9,716)
Net assets of SUCH sector organizations and Alberta Innovates Corporations		22,376	21,887
Net assets - consolidated financial statement basis		$ 59,113	$ 59,260

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Alberta Sustainability Fund provides funding for those years where actual expense exceeds actual revenue, with a view to adding to or replenishing the Fund in years in which there are cash surpluses.

(c) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund and Alberta Enterprise Corporation.

(d) The budget column excludes pension liabilities, and the assets and liabilities of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations.

(e) This excludes pension liability for SUCH sector organizations amounting to $223 million (2011: $206 million).

Note 5 (continued)

A similar analysis is completed to compare the actual operating results of the Province on the same reporting basis as the budget described in the Fiscal Plan:

	2012		2011
	Budget [a]	Actual without SUCH and Innovates Corporations	Actual without SUCH and Innovates Corporations
		In millions	
Revenues - fiscal plan basis	$ 35,589	$ 39,249	$ 34,854
Expenses - fiscal plan basis	38,994	39,272	38,264
Deficit	(3,405)	(23)	(3,410)
Withdrawals from the Sustainability Fund	3,405	23	3,410
Adjusted annual surplus - fiscal plan basis	-	-	-
Adjustment for withdrawals from the Sustainability Fund		(23)	(3,410)
Pension provisions [b]		(617)	(437)
Annual surplus of SUCH sector organizations and Alberta Innovates Corporations		526	1,585
Annual deficit - consolidated financial statement basis		$ (114)	$ (2,262)

(a) The budget column excludes pension provisions and the revenues and expenses of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations. The financial statements report the budget as presented in the Fiscal Plan tabled in the Legislature on February 24, 2011 and does not include in year budget restatements.

(b) This excludes pension provisions for SUCH sector organizations amounting to $17 million (2011: $2 million).

The annual deficit presented on the consolidated financial statement basis includes the net result of operations of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations, which are included in the Consolidated Statement of Operations on a line-by-line basis.

Note 5 (continued)

An analysis of the change in net financial assets on the same reporting basis as the budget described in the Fiscal Plan is shown in the table below:

	2012		2011
	Budget	Actual without SUCH and Innovates Corporations	Actual without SUCH and Innovates Corporations
		In millions	
Annual deficit	$ (3,405)	$ (23)	$ (3,410)
Acquisition of tangible capital assets and inventories of supplies	(2,737)	(2,194)	(2,192)
Amortization of tangible capital assets and consumption of inventories of supplies	798	748	733
Net gain on disposal and write-down of tangible capital assets	2	(13)	(23)
Reclassification of land to inventories for resale	-	-	5
Proceeds on sale of tangible capital assets	-	15	12
Change in accumulated unrealized losses (Schedule 6)	-	(3)	(44)
Other	58	84	16
Decrease in net financial assets	(5,284)	(1,386)	(4,903)
Net financial assets at beginning of year	26,550	28,114	33,017
Net financial assets at end of year	$ 21,266	$ 26,728	$ 28,114

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Effective April 1, 2005, the *Fiscal Responsibility Act* requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2011-12, the Province complied with the Act. The *Fiscal Responsibility Act* specifically excludes from the definition of accumulated debt any amounts borrowed for the purposes of making advances to or purchasing securities of a Provincial corporation, any amounts borrowed for capital, and any amounts borrowed for the purpose of paying to the post-1992 fund all or any portion of the amounts owing in accordance with the *Teachers' Pension Plans Act*.

Accumulated Debt

The table below shows the balance of accumulated debt at March 31, 2012:

	2012	2011
	In millions	
Unmatured debt (Schedule 8)	$ 4,748	$ 4,712
Funding obligation for school board debentures	91	123
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(1,667)	(1,357)
Borrowings to repay the Teachers' Pension Plan Liability	(1,186)	(1,186)
Borrowings for capital purposes, including Alberta Capital Bonds	(1,497)	(1,464)
Accumulated debt as per the *Fiscal Responsibility Act*	$ 489	$ 828

Note 6 (continued)

In addition, Note 5 shows that funds amounting to $503 million (2011: $843 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2012		2011
	Budget	Actual	Actual
		In millions	
Accumulated debt per the *Fiscal Responsibility Act*	$ 488	$ 489	$ 828
Funds available for debt repayment	503	503	843
Accumulated debt less funds set aside	$ (15)	$ (14)	$ (15)

NOTE 7 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

The Province has entered into contracts (see Note 13) to design, build, finance and operate ring road segments under the following public private partnerships: Anthony Henday – South East Edmonton Ring Road, Stoney Trail – North East Calgary Ring Road, Anthony Henday – North West Edmonton Ring Road and Stoney Trail – South East Calgary Ring Road. The Province has also entered into public private partnership contracts to design, build, finance and maintain schools under the Alberta Schools Alternative Procurement Phase 1 and Phase 2 projects. These contracts include a construction period followed by a 30 year operational period for the ring roads and a 30 year maintenance period for the schools.

The details of the 30 year contracts for those projects that are under construction are as follows:

	Contractor	Date Contract entered into	Scheduled completion date	Date Capital payments begin
Stoney Trail - South East Calgary Ring Road	Chinook Roads Partnership	March 2010	September 2013	October 2013
Alberta Schools Alternative Procurement Phase 2	B2L Partnership	April 2010	June 2012	August 2012

The details of the contracts for those projects that are already operational are as follows:

	Contractor	Date Contract entered into	Completion date	Date Capital payments began
Anthony Henday - South East Edmonton Ring Road	Access Roads Edmonton Ltd.	January 2005	October 2007	November 2007
Stoney Trail - North East Calgary Ring Road	Stoney Trail Group	February 2007	October 2009	November 2009
Alberta Schools Alternative Procurement Phase 1	BBPP Alberta Schools Ltd.	September 2008	June 2010	July 2010
Anthony Henday - North West Edmonton Ring Road	NorthwestConnect General Partnership	July 2008	October 2011	November 2011

Note 7 (continued)

The calculation of the liabilities under public private partnerships is as follows:

	2012 Total	2011 Total
	In millions	
Liabilities, beginning of year	$ 1,734	$ 1,425
Additions to liabilities during the year	231	322
Principal payments	(21)	(13)
Liabilities, end of year	$ 1,944	$ 1,734

NOTE 8 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Province to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
	In millions	
Obligations under operating leases, contracts and programs	$ 21,775	$ 21,628
Loans and advances approved	134	98
Obligations under capital leases and public private partnerships		
Operations and maintenance payments	1,736	1,830
Capital payments	4,062	4,261
	$ 27,707	$ 27,817

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	In millions
2012-13	$ 6,427
2013-14	3,388
2014-15	2,710
2015-16	2,437
2016-17	1,818
Thereafter	4,995
	$ 21,775

Note 8 (continued)

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative which is an agreement that began in 2007-08 between the Province and Alberta municipalities for capital and operating purposes and is subject to the annual appropriation of the Legislature.

Obligations under Capital Leases and Public Private Partnerships

Operations and Maintenance Payments

		In millions
2012-13	$	39
2013-14		44
2014-15		48
2015-16		48
2016-17		49
Thereafter		1,508
	$	1,736

Capital Payments

		In millions
2012-13	$	135
2013-14		138
2014-15		145
2015-16		145
2016-17		144
Thereafter		3,355
		4,062
Less amount representing interest		(1,891)
	$	2,171

Capital payments include payments for capital leases and for public private partnerships. The capital payments for public private partnerships are fixed, equal monthly payments for the privately financed portion of the costs of building the infrastructure. The present value of these capital payments is recorded as a liability on the Consolidated Statement of Financial Position.

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

NOTE 9 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 11. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) Guarantees

Guarantees amounting to $53 million (2011: $61 million) are detailed in Schedule 13.

(b) Contingent Liabilities

The Province, through the Credit Union Deposit Guarantee Corporation which operates under the authority of the *Credit Union Act*, has a potential liability under guarantees relating to deposits of credit unions. At March 31, 2012 credit unions in Alberta held deposits totalling $17.5 billion (2011: $16.7 billion). Substantial assets are available from credit unions to safeguard the Province from the risk of loss from its potential obligation under the Act.

At March 31, 2012, ATB Financial had a contingent liability under guarantees and letters of credit amounting to $358 million (2011: $347 million).

The Province has a potential liability under guarantees relating to the debt of Alberta Capital Financing Authority of $7,738 million (2011: $9,660 million) and Alberta Social Housing Corporation of $69 million (2011: $71 million) that is held external to the Government of Alberta.

Through the *Public Trustee Act*, the Province unconditionally guarantees the amount outstanding on a client's guaranteed account as administered by the Office of the Public Trustee. As at March 31, 2012, the potential liability of the Province based on the outstanding balance of the Client Guaranteed Accounts is $403 million (2011: $390 million).

The Province has contingent liabilities with respect to various indemnities as permitted under the *Financial Administration Act*. The indemnified amount and corresponding liability cannot be reasonably estimated.

(c) Legal Actions

At March 31, 2012, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of 31 claims (2011: 33 claims), most of them concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, 14 (2011: 15) have specified amounts totalling approximately $141.9 billion (2011: $142.9 billion) plus a provision for interest and other costs that is not calculable. The other 17 claims (2011: 18 claims) have not specified any amounts. In addition, there are 4 claims (2011: 4) for treaty land entitlement for which the Province may have an obligation under the Natural Resources Transfer Agreement.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $4.2 billion (2011: $4.3 billion).

(d) Bitumen Royalties

Certain producers have disputed the basis of royalty calculation for bitumen royalties. Bitumen royalties reported may be adjusted by potentially significant amounts following resolution of the dispute.

(e) Tax Assessments

Some of the taxes assessed by the Province are under objection and some are being appealed. The resulting loss, if any, cannot be reasonably estimated.

NOTE 10 TRUST AND OTHER FUNDS UNDER ADMINISTRATION

Trust and other funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2012, trust and other funds under administration were as follows:

	2012	2011
	In millions	
Public Sector Pension Plan Funds	$ 34,929	$ 31,263
Teachers' Pension Plan Funds	6,773	6,308
The Workers' Compensation Board Accident Fund	622	1,359
Public Trustee	544	530
Special Areas Trust Account	231	219
Various Court Offices and Fines Distribution Trust	117	121
Miscellaneous trust funds	443	394
	$ 43,659	$ 40,194

In addition to the above trust and other funds under administration, the Province holds cash and bank guarantees in the form of letters of credit and promissory notes in the amount of $1,534 million (2011: $1,443 million). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

NOTE 11 ENDOWMENT FUNDS

	2012	2011
	In millions	
Endowment funds of universities, colleges and hospitals	$ 1,543	$ 1,484

Endowment fund assets are included in Portfolio investments and Net assets in the Consolidated Statement of Financial Position. Donors have placed restrictions on their contribution to the endowment funds of universities, colleges and hospitals. The principal restriction is that the original contribution should not be spent except as expressly allowed under the Post Secondary Learning Act for endowments made to Universities and Colleges. Capital preservation, investment returns and the impact of inflation may also form restrictions on these funds.

NOTE 12 OTHER ADJUSTMENTS TO NET ASSETS

The reconciliation of other adjustments to Net assets is as follows:

	2012	2011
	In millions	
Other adjustments to net assets		
Change in unrealized losses (Schedule 6)	$ (3)	$ (44)
Change in accounting policy [a]	(101)	-
Increase in endowments (Note 11)	59	50
Other [b]	108	-
Consolidation adjustments relating to SUCH sector	(96)	(18)
	$ (33)	$ (12)

(a) During the year, government business enterprises were required to adopt International Financial Reporting Standards (IFRS). In these statements, the adoption has been applied on a retroactive basis without restatement of prior years resulting in a $90 million decrease to net assets. In addition, two provincial agencies adopted the public sector accounting standards on April 1, 2011. As a result of electing a different discount rate for the calculation of the pension liability, the related balance of accrued pension plan assets was changed into a pension liability resulting in a decrease in opening net assets of $11 million.

(b) Other consists primarily of an increase to opening net assets of $104 million because the restricted equity of Alberta Capital Finance Authority was reclassified from other accounts payable to net assets.

NOTE 13 SUBSEQUENT EVENTS

On May 8, 2012, the Province signed a $1.81 billion (net present value over the life of the contract) public private partnership agreement to design, build, finance and operate the Northeast Anthony Henday Drive in Edmonton. The road is owned by the Province and is scheduled to be open to traffic in the fall of 2016.

NOTE 14 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified, where necessary, to conform to 2012 presentation.

SCHEDULES TO THE
CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

REVENUES

Schedule 1

	2012	2011
	In millions	
Income taxes		
Personal income tax	$ 8,450	$ 7,516
Corporate income tax	3,498	3,275
	11,948	10,791
Other taxes		
Education property tax	1,858	1,779
Tobacco tax	896	893
Fuel tax	849	662
Freehold mineral rights tax	129	128
Insurance taxes	294	293
Alberta tourism levy	73	65
	4,099	3,820
Non-renewable resource revenue		
Natural gas and by-products royalty	1,304	1,416
Bitumen royalty	4,513	3,723
Bonuses and sales of Crown leases	3,312	2,635
Crude oil royalty	2,284	2,236
Rentals and fees	169	161
Coal royalty	29	31
Royalty tax credit/drilling stimulus initiatives	25	(1,774)
	11,636	8,428
Transfers from Government of Canada		
Health transfers	2,192	2,215
Canada social transfer	1,256	1,214
Agriculture support programs	278	273
Labour market agreements	173	229
Other	1,293	1,521
	5,192	5,452
Net income from government business enterprises		
Lottery operations	1,471	1,441
Liquor operations	700	683
Other	222	213
	2,393	2,337
Net investment income	2,168	2,486
Premiums, fees and licences		
Health fees and charges	452	630
Motor vehicle licences	420	383
Crop and hail insurance premiums	283	257
Energy Resources Conservation Board levies	125	115
Land Titles	79	53
Other	583	548
	1,942	1,986
Other		
Tuition	989	936
Sales, rentals and services	768	778
Fundraising, donations, gifts and contributions	804	692
Fines and penalties	132	109
Climate change and emissions management	49	76
Other	982	911
	3,724	3,502
	$ 43,102	$ 38,802

EXPENSES BY MINISTRY

Schedule 2

	2012	2011
	In millions	
Program expenses		
Offices of the Legislative Assembly	$ 89	$ 90
Ministries		
Health and Wellness	15,564	15,095
Education	6,976	6,585
Advanced Education and Technology	4,917	4,691
Seniors	2,152	2,049
Human Services	2,426	2,418
Transportation	1,983	1,880
Municipal Affairs	1,546	1,570
Infrastructure	1,144	683
Finance	1,001	926
Agriculture and Rural Development	921	973
Solicitor General and Public Security	684	656
Sustainable Resource Development	562	429
Justice	512	486
Energy	392	352
Service Alberta	285	278
Environment and Water	252	286
Culture and Community Services	238	251
Tourism, Parks and Recreation	177	165
Intergovernmental, International and Aboriginal Relations	168	202
Treasury Board and Enterprise	56	58
Executive Council	28	30
	42,073	40,153
Debt servicing costs [a]	509	472
Pension provisions [b] (Schedule 10)	634	439
	$ 43,216	$ 41,064

(a) Debt servicing costs consists of interest paid on various forms of government debt. It excludes interest on pension liabilities. Interest on pension liabilities has been included in pension provisions and other program expense.

(b) Pension provisions are related to the Ministry of Advanced Education and Technology, the Ministry of Education, the Ministry of Energy, the Ministry of Finance, and the Ministry of Health and Wellness.

On May 8, 2012, the government announced new ministry structures. Since the 2011-12 fiscal year was completed prior to this announcement, the ministry structure in this schedule is based on what was in existence at March 31, 2012.

EXPENSES BY OBJECT

Schedule 3

	2012	2011
	In millions	
Grants	$ 11,666	$ 11,481
Services	7,166	7,096
Salaries, wages, employment contracts and benefits	16,502	15,540
Amortization of tangible capital assets and consumption of inventories of supplies	2,497	2,417
Interest and amortization of exchange gains and losses	478	443
Materials and supplies	3,115	2,564
Pension provisions (Schedule 10)	634	439
Travel and communication	283	270
Pension liability funding	504	497
Other	371	317
	$ 43,216	$ 41,064

The pension expense for the Province (Schedule 10) is included in salaries, wages, employment contracts and benefits, pension provisions and pension liability funding.

CASH AND CASH EQUIVALENTS

Schedule 4

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Cash [a]	$ 3,525	$ 3,525	$ 3,582	$ 3,582
Cash equivalents	2,619	2,620	2,468	2,469
	$ 6,144	$ 6,145	$ 6,050	$ 6,051

(a) Cash includes deposits in the Consolidated Cash Investments Trust Fund (CCITF). At March 31, 2012, deposits in CCITF had a time-weighted return of 1.3% per annum (2011: 1.1% per annum).

PORTFOLIO INVESTMENTS

Schedule 5

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Interest bearing securities [a][b][c]				
Deposits and short-term securities	$ 816	$ 816	$ 1,547	$ 2,251
Bonds and mortgages	15,999	16,335	19,642	19,220
	16,815	17,151	21,189	21,471
Equities				
Canadian public equities	2,007	2,153	1,983	2,351
Global developed public equities	7,341	7,764	6,950	7,300
Emerging markets public equities	616	661	53	53
Private equities	1,002	1,161	893	945
Pooled investment funds	37	37	37	38
	11,003	11,776	9,916	10,687
Inflation sensitive and alternative investments				
Private real estate	2,198	3,009	1,812	2,310
Inflation sensitive real return bonds	-	-	6	6
Private infrastructure	1,288	1,306	784	724
Absolute return strategy hedge funds	-	-	836	916
Timberland	281	336	231	244
Private debt and loans	227	241	87	87
Other investments	68	68	34	35
	4,062	4,960	3,790	4,322
	$ 31,880	$ 33,887	$ 34,895	$ 36,480

(a) The majority of the Province's interest bearing securities are held by the General Revenue Fund. As at March 31, 2012, the General Revenue Fund held $7.7 billion (2011: $11.3 billion) of interest bearing securities at cost (fair value $7.8 billion (2011: $11.6 billion)). The securities held have an average effective market yield of 2.0% (2011: 2.3%) per annum. Of the securities held, 11% (2011: 15%) had terms to maturity of less than one year.

(b) Interest bearing securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2012, the Heritage Fund held $3.3 billion (2011: $3.8 billion) of interest bearing securities at cost (fair value $3.4 billion (2011: $3.8 billion)). The securities held have an average effective market yield of 4.4% (2011: 4.5%) per annum and the following term to maturity structure based on principal amount:

	2012	2011
	%	
Under 1 year	4	11
1 to 5 years	47	32
Over 5 years	49	57
	100	100

(c) The amount held as portfolio investments by Crown-controlled SUCH sector organizations are consolidated on a line-by-line basis. As at March 31, 2012, Alberta Health Services held $1.4 billion (2011: $1.9 billion) of interest bearing securities at cost (fair value $1.4 billion (2011: $1.9 billion)) with an effective market yield of 1.8% (2011: 2.1%) per annum. The post secondary institutions held $2.1 billion (2011: $2.0 billion) of interest bearing securities at cost (fair value $2.1 billion (2011: $2.1 billion)) with an average effective market yield of 3.2% (2011: 3.3%) per annum. School jurisdictions held $106 million (2011: $102 million) of interest bearing securities at cost (fair value $108 million (2011: $ 104 million)) with an approximate effective market yield of 2.2% (2011: 2.8%) per annum. The securities have the following term to maturity structure based on principal amount:

	2012			2011		
	Alberta Health Services	Post Secondary Institutions	School Jurisdictions	Alberta Health Services	Post Secondary Institutions	School Jurisdictions
		%			%	
Under 1 year	1	43	6	2	49	18
1 to 5 years	85	31	79	85	28	24
Over 5 years	14	26	15	13	23	58
	100	100	100	100	100	100

EQUITY IN GOVERNMENT BUSINESS ENTERPRISES

Schedule 6

	2012	2011
	In millions	
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 2,545	$ 2,368
IFRS restatement [a]	(107)	-
Restated opening surpluses	2,438	2,368
Total revenue	4,943	4,797
Total expense [b]	2,550	2,460
Net income from commercial operations	2,393	2,337
Change in accumulated unrealized losses [c]	(3)	(44)
Transfers to the Province from Alberta Gaming and Liquor Commission	(2,202)	(2,116)
Accumulated surpluses at end of year	$ 2,626	$ 2,545
Represented by		
Assets		
Loans	$ 26,713	$ 22,948
Investments	2,131	2,187
Other	2,899	3,009
	31,743	28,144
Liabilities		
Accounts payable	1,062	1,318
Deposits [d]	25,053	23,982
Unmatured debt	2,764	68
Capital deposits	238	231
	29,117	25,599
	$ 2,626	$ 2,545
Equity in government business enterprises at end of year		
As reported by the entities		
ATB Financial	$ 2,062	$ 1,964
Alberta Gaming and Liquor Commission	380	427
Credit Union Deposit Guarantee Corporation	184	154
	2,626	2,545
Subordinated debentures in support of deposit guarantees	113	67
	$ 2,739	$ 2,612

(a) During the year, government business enterprises were required to adopt International Financial Reporting Standards (IFRS). In these statements, the adoption has been applied on a retroactive basis without restatement of prior years. The total impact to equity in government business enterprises was $107 million. This consists of a $90 million decrease in opening net assets for ATB Financial and the Credit Union Deposit Guarantee Corporation and a $17 million decrease due to the General Revenue Fund for Alberta Gaming and Liquor Commission.

(b) Included in the total expense is $22 million of interest expense of ATB Financial that was paid to the Province for amounts borrowed directly by the Province on behalf of ATB Financial. Also included in the total expense is $58 million (2011: $59 million) of payment in lieu of taxes of ATB Financial that was paid to the Province.

(c) The change in accumulated unrealized losses of $3 million is comprised of changes in other comprehensive income in government business enterprises. At March 31, 2012, the Province has $13 million in accumulated unrealized losses (2011: $10 million).

(d) The repayment of all deposits without limit, including accrued interest, is guaranteed by the Province in respect of which the Province assesses a deposit guarantee fee of $27 million (2011: $25 million) payable by ATB Financial. Included in the total deposits of ATB Financial are amounts borrowed by the Province on behalf of ATB Financial totalling $1,990 million (2011: $ nil).

At March 31, 2012, ATB Financial had a contingent liability under guarantees and letters of credit of $358 million (2011: $347 million).

Included in the Province's contractual obligations are $317 million (2011: $355 million) for contracts belonging to government business enterprises. These amounts include obligations under operating leases which expire on various dates.

LOANS AND ADVANCES

Schedule 7

	2012	2011
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act [a]	$ 10,052	$ 8,696
Agriculture Financial Services Act [b]	1,610	1,403
Student Loan Act	762	618
Alberta Heritage Savings Trust Fund Act	282	286
Alberta Housing Act	8	8
Financial Administration Act	64	6
	12,778	11,017
Less allowance for doubtful accounts	316	348
	$ 12,462	$ 10,669

(a) The fair value of the loans as at March 31, 2012 was $11,192 million (2011: $9,202 million). Municipal loans on average yield 4.6% (2011: 4.9%) per annum.

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans. Agricultural loan portfolios on average yield 4.9% (2011: 5.4%) per annum.

UNMATURED DEBT

Schedule 8

	2012				2011	
	Effective Rate [a]	Modified Duration [b]	Book Value [a]	Fair Value [a]	Book Value [a]	Fair Value [a]
	%	years	*In millions*			
Direct debt						
Canadian dollar debt						
Floating rate and short-term fixed rate [c]	7.52	0.72	$ 266	$ 281	$ 400	$ 423
Fixed rate long-term [d]	3.88	7.20	4,413	4,798	4,241	4,388
	4.09	6.84	4,679	5,079	4,641	4,811
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			69	102	71	100
			$ 4,748	$ 5,181	$ 4,712	$ 4,911

(a) Book value represents the amount the Province owes. Fair value approximates market value to the debt holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater a bond's modified duration, the greater the impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

(d) Includes $1,497 million (2011: $1,464 million) borrowed for capital purposes and borrowing of $1,186 million (2011: $1,186 million) to repay the Teachers' Pension Plan liability (see Note 6).

UNMATURED DEBT

Schedule 8 (continued)

In addition to the unmatured debt shown above, and in order to reduce overall borrowing costs for the Province, the Province borrows money at a more favourable rate and loans it to various provincial entities (see Schedule 7) with the exact same repayment terms and interest rates. The Province borrowed funds on behalf of ATB Financial totalling $1,990 million (2011: $ nil) (see Schedule 6) and Alberta Capital Finance Authority totalling $3,307 million (2011: $ nil) (see Schedule 9).

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term debt maturing in 2012-13 and thereafter, are as follows:

	In millions
2012-13	$ 321
2013-14	114
2014-15	1,228
2015-16	143
2016-17	85
Thereafter	2,857
	$ 4,748

DEBT OF ALBERTA CAPITAL FINANCE AUTHORITY

Schedule 9

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Alberta Capital Finance Authority				
Canadian dollar fixed rate debt	$ 5,990	$ 6,596	$ 5,654	$ 6,030
Canadian dollar floating rate debt	5,055	5,075	4,006	4,028
Total [a]	11,045	11,671	9,660	10,058
Effective rate per annum		4.9%		5.0%

(a) Included in the Alberta Capital Finance Authority debt are amounts borrowed directly by the Province on behalf of the Alberta Capital Finance Authority totalling $3,307 million (2011: $ nil).

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2012-13 and thereafter, are as follows:

	In millions
2012-13	$ 3,560
2013-14	2,280
2014-15	657
2015-16	810
2016-17	1,500
Thereafter	2,238
	$ 11,045

Pension Plans

The Province is the trustee for the following pension plans under the Public Sector Pension Plans Act:

Local Authorities Pension Plan (LAPP), Management Employees Pension Plan (MEPP), Public Service Pension Plan (PSPP), Special Forces Pension Plan (SFPP), and the Public Service Management (Closed Membership) Pension Plan (PSMC). The Province is also trustee for the Provincial Judges and Masters in Chambers (Registered) Pension Plan (PJMCPP) under the Provincial Court Act and the Supplementary Retirement Plan for Public Service Managers (MSRP) under the Supplementary Retirement Plan – Retirement Compensation Arrangement Directive (Treasury Board Directive 01/99). All of these pension plans are open with the exception of PSMC. Financial statements for all of these pension plans as of their December 31, 2011 year end or March 31, 2012 year end are reported as supplementary information in the Ministry of Finance Annual Report. All of the plans, except the Judges plan, are multi-employer plans.

Boards, on behalf of Crown-controlled SUCH sector organizations, administer the Teachers' Pension Plan (Teachers') and the Universities Academic Pension Plan (UAPP).

In addition to the aforementioned plans, there are several agencies which maintain their own plans to compensate senior staff members that do not participate in the regular government pension plans. These entities include the Energy Resource Conservation Board, Alberta Utilities Commission, Alberta Securities Commission, and some SUCH sector entities. Summaries of these plans are included in these financial statements as Supplementary Executive Retirement Plans (SERP). Additional information can be found in the entity's financial statements.

The following is a summary of the plans for the year ended March 31, 2012:

Defined Benefit Pension Plans	Approximate Number of Active Employees	Average Age of Active Employees	Approximate Number of Former Employees Entitled to Refunds of Contributions	Approximate Number of Retirees Receiving Benefits	Employee Contributions	Employer Contributions	Benefit Payments
					In millions		
LAPP	141,877	45	26,124	47,065	$ 818	$ 891	$ 879
PSPP	40,813	44	15,161	21,507	236	234	410
MEPP	5,131	49	1,068	3,699	59	88	148
MSRP	1,037	53	129	635	3	3	3
PJMCPP [a]	127	60	5	131	1	2	7
PSMC [a]	-	-	181	2,020	-	-	57
SFPP [a]	4,035	39	181	2,215	39	42	87
Teachers' Pre-92	10,450	52	2,623	22,229	-	-	423
Teachers' Post-92	36,200	42	6,387	17,602	322	296	223
UAPP	7,600	49	1,444	3,988	96	107	184

(a) These three plans also received during the year contributions, primarily related to pre-1992 commitments, from the Province of Alberta as follows: PJMCPP $1 million, PSMC $60 million and SFPP $4 million.

The plans provide a defined benefit retirement income based on a formula for each plan that considers final average years of salary, length of service and a percentage ranging from 1.4% to 2% per year of service.

The Province accounts for the liabilities for pension obligations on a defined benefit basis as a participating employer for former and current employees in Local Authorities Pension Plan, Management Employees Pension Plan, Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan and Public Service Pension Plan for the government's consolidated reporting entity except for government business enterprises that report under International Financial Reporting Standards (IFRS) and are required to account directly for participation in the public service pension plans under IFRS.

The Province also accounts for the specific commitments made by the Government of Alberta for pre-1992 pension obligations to the Teachers' Pension Plan, Public Service Management (Closed Membership) Pension Plan, Universities Academic Pension Plan (UAPP) and Special Forces Pension Plan. In 1992, there was pension plan reform resulting in pre-1992 and post-1991 arrangements for several pension plans.

The Province also accounts for the obligation to the Members of the Legislative Assembly Pension Plan (MLAPP).

The following table contains summary information on these specific pension plans. Pension liabilities are as follows:

	2012		2011
	Pension Liabilities	Pension Provisions (Recovery) (Schedule 3)	Pension Liabilities
		In millions	
Liabilities for the Province's employer share for former and current employees			
Local Authorities Pension Plan [a]	$ 450	$ 40	$ 410
Management Employee Pension Plan [b]	129	(8)	137
Supplementary Retirement Plan for Public Service Managers [c]	53	13	40
Provincial Judges and Masters in Chambers Pension Plan [d]	-	(2)	2
Public Service Pension Plan [e]	176	109	67
Teachers' Pension Plan [f]	503	85	418
Universities Academic Pension Plan [g]	179	11	168
Supplementary Executive Retirement Plans [h]	47	9	38
	1,537	257	1,280
Liabilities for the Province's commitment towards pre-1992 obligations			
Teachers' Pension Plan [f]	7,916	376	7,540
Public Service Management (Closed Membership) Pension Plan [i]	614	(7)	621
Universities Academic Pension Plan [g]	315	(1)	316
Special Forces Pension Plan [j]	129	8	121
	8,974	376	8,598
Members of the Legislative Assembly Pension Plan [g]	45	1	44
	$ 10,556	$ 634	$ 9,922

Pension provisions represent the change in pension liabilities, net of pension expense and contributions made.

The following is a description of each pension liability:

(a) The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, Alberta Health Services, school divisions, school districts, colleges, technical institutes, certain commissions, foundations, agencies, libraries, corporations, associations, and societies. In accordance with the Public Sector Pension Plans Act, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 6.96% of pensionable earnings shared equally between employees and employers until December 31, 2025. Current service costs are funded by employers and employees.

(b) The Management Employee Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. In accordance with the Public Sector Pension Plans Act, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 9.4% of pensionable earnings shared between employees and employers until December 31, 2014, 7.3% until December 31, 2016, 2.5% until December 31, 2017 and 2.1% until December 31, 2024. Current services costs are funded by employers and employees.

(c) The Supplementary Retirement Plan for Public Service Managers is a contributory defined benefit pension plan for certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the Income Tax Act. The Plan is supplementary to the MEPP. The contribution rates in effect at December 31, 2011 were unchanged at 11.16% of pensionable salary in excess of the maximum pensionable salary limit for eligible employees and designated employers.

(d) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2011 and 2012 are 7.00% of capped salary for plan members and 14.65% of capped salary for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

(e) The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province, approved provincial agencies and public bodies. In accordance with the Public Sector Pension Plans Act, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totalling 6.94% of pensionable earnings shared equally between employees and employers until December 31, 2025. Current service costs are funded by employers and employees.

(f) The Teachers' Pension Plans Act requires all teachers under contract with jurisdictions in Alberta to contribute to the Teachers' Pension Plan. The Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plan. In 2009-10 there was a repayment of $1,186 million towards the liability. The costs of all benefits paid under the pre-1992 Teachers' Pension Plan are paid by the Province. In addition, the Province is responsible for 50% of the unfunded liability, any current service costs and certain cost of living benefits for service after August 1992.

(g) Under the Public Sector Pension Plans Act, the Province has a liability for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For the Universities Academic Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province and contributions by employees and employers to fund the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For the Special Forces Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

(h) Certain consolidated entities provide defined supplementary executive retirement plans for certain management staff, and other benefit plans for all or specific groups of staff, depending on the plans. The cost of these benefits are actuarially determined on an annual basis using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage.

(i) The Public Service Management (Closed Membership) Pension Plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. The costs of all benefits under the Plan are paid by the Province.

(j) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date. The costs for all benefits under the plan are paid by the Province.

The liability for pension obligations as a participating employer is as follows:

As at March 31, 2012	LAPP	MEPP	PSPP	Teachers' Pension Plan Post-1992	UAPP	Others[d]	Total 2012	Total 2011
				(In millions)				
Liabilities for the Province's share for former and current employees								
Net assets available for benefits [a]	$ 19,663	$ 2,636	$ 6,481	$ 6,773	$ 2,675	$ 267	$ 38,495	$ 35,520
Pension obligation	24,303	3,154	8,271	8,544	3,829	373	48,474	45,723
Pension plan deficit [a]	$ 4,640	$ 518	$ 1,790	$ 1,771	$ 1,154	$ 106	$ 9,979	$ 10,203
Province of Alberta share of the deficiency	$ 1,552	$ 316	$ 793	$ 859	$ 419	$ 106	4,045	4,228
Unamortized Losses [b]	(1,089)	(185)	(613)	(356)	(240)	(6)	(2,489)	(2,940)
Timing differences between the pension plan fiscal year ends and March 31 [c]	(13)	(2)	(4)	-	-	-	(19)	(8)
Future Benefit Liability	$ 450	$ 129	$ 176	$ 503	$ 179	$ 100	1,537	1,280
Liabilities for the Province's commitment towards pre-1992 obligations							8,974	8,598
Members of the Legislative Assembly Pension Plan							45	44
							$ 10,556	$ 9,922

(a) These numbers are as reported in the pension plan 2011 financial statements, except for the Teachers Post-92 Pension Plan and the UAPP which use numbers as reported in actuarial reports.

(b) Under Public Sector Accounting Standards, losses are amortized over the employee expected average remaining service life of the employees of each plan, which ranges from eight to eleven years.

(c) Accounting timing differences from January 1, 2012 to March 31, 2012 for payments and interest expense.

(d) Others includes the Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan and Supplementary Executive Retirement Plans.

The pension expense for the Province is as follows:

				Teachers' Pension Plan				Total	Total
	LAPP	MEPP	PSPP	Pre-92	Post-92	UAPP	Others[c]	2012	2011
				(In millions)					
Pension Expense									
Current period benefit cost [a]	$ 1,222	$ 107	$ 327	$ -	$ 424	$ 68	$ 20	$ 2,168	$ 1,793
Amortization of actuarial gains and losses[b]	399	28	257	432	180	20	24	1,340	1,098
Total	$ 1,621	$ 135	$ 584	$ 432	$ 604	$ 88	$ 44	$ 3,508	$ 2,891
Province of Alberta share of pension expense	$ 542	$ 83	$ 259	$ 432	$ 302	$ 88	$ 44	$ 1,750	$ 1,396
Interest Expense									
Interest on pension liability [a]	72	14	59	367	66	43	45	666	621
Total Province of Alberta pension related expenses	$ 614	$ 97	$ 318	$ 799	$ 368	$ 131	$ 89	$ 2,416	$ 2,017

(a) As reported in pension plan financial statements or actuarial reports. Numbers in UAPP are net of employees' share.

(b) Except for Special Forces Pension Plan, numbers are adjusted to March 31, 2012.

(c) Others includes the Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan, Special Forces Pension Plan and Supplementary Executive Retirement Plans.

Pension liabilities are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services and actuarial extrapolations performed at December 31, 2011 or March 31, 2012. The assumptions used in the valuations and extrapolations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include salary escalation rate, discount rate and inflation rate. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

The date of actuarial extrapolation and primary economic assumptions used for accounting purposes were:

Plan	Latest Valuation Date	Latest Extrapolation Date	Salary Escalation Rate %	Inflation Rate %	Discount Rate [a] %
Teachers' Pre-1992 Pension Plan	August 2011	March 2012	3.50	2.25	4.50
Teachers' Post-1992 Pension Plan	August 2011	March 2012	3.50	2.25	6.80
Public Service Management (Closed Membership) Pension Plan	December 2008	December 2011	-	2.25	4.50
Universities Academic Pension Plan	December 2010	March 2012	3.50	2.25	6.50
Local Authorities Pension Plan	December 2010	December 2011	3.50	2.25	6.00
Public Service Pension Plan	December 2010	December 2011	3.50	2.25	6.60
Members of the Legislative Assembly Pension Plan	March 2012	-	-	2.25	4.50
Management Employees Pension Plan	December 2009	December 2011	3.50	2.25	6.30
Provincial Judges and Masters in Chambers Pension Plan	December 2008	March 2011	3.50	2.25	6.10
Supplementary Retirement Plan for Public Service Managers	December 2009	December 2011	3.50	2.25	5.50
Special Forces Pension Plan	December 2008	December 2011	3.50	2.25	6.20

(a) The discount rate is the expected rate of return for plans with assets and is also the discount rate used to measure the actuarial liability.

The actual return on major funded plans' assets during the period ranges from 2.1% to 7.8% (2010-11: 5.6% to 10.2%). This range includes returns for LAPP, Teachers' Post-1992 Plan, PSPP, MEPP, SFPP, and UAPP.

A separate pension plan fund is maintained for each pension plan except for the Teachers' Pre-1992 Pension Plan and the Members of the Legislative Assembly Pension Plan. Each pension plan fund reports annually through financial statements.

Government business enterprises have recorded pension liabilities accounted for under International Financial Reporting Standards of $195 million (2011: $137 million) comprised of $124 million (2011: $97 million) for employees in the Public Service Pension Plan, Management Employees Pension Plan and the Supplementary Retirement Plan for Public Service Managers and $71 million (2011: $40 million) in other pension plans.

Long Term Disability Income Continuance Plans

The government administers two long-term disability income continuance plans. As at March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9.1 million (2011: deficiency of $4.1 million) and the Management, Opted Out, and Excluded Plan reported an actuarial surplus of $10.5 million (2011: surplus of $7.0 million). At March 31, 2012, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

OTHER ACCRUED LIABILITIES

Schedule 11

	2012	2011
	In millions	
Vacation entitlements	$ 1,261	$ 1,202
Guarantees, indemnities and remissions	-	1
	$ 1,261	$ 1,203

TANGIBLE CAPITAL ASSETS

Schedule 12

	General Capital Assets						Infrastructure Assets					2012 Total	2011 Total
	Land (a)	Buildings (b)	Computer hardware and software	Equipment (c)	Other (d)	Sub Total	Land improvements (e)	Provincial highways, roads and airstrips (f)	Bridges	Dams and water management structures (g)	Sub Total		
Estimated Useful Life	Indefinite	10-50 yrs	3-10 yrs	3-40 yrs	3-50 yrs		10-40 yrs	20-50 yrs	50 yrs	25-80 yrs			
							In millions						
Historical Cost													
Beginning of year	$ 2,210	$ 27,243	$ 3,345	$ 4,790	$ 1,240	$ 38,828	$ 372	$ 15,105	$ 1,690	$ 1,339	$ 18,506	$ 57,334	$ 52,528
Additions	166	1,834	345	508	151	3,004	10	1,228	122	23	1,383	4,387	5,125
Transfers and adjustments (h)	-	15	(9)	(40)	43	9	15	2	(1)	-	16	25	(5)
Disposals including write-downs	(18)	(59)	(58)	(85)	(4)	(224)	-	-	-	-	-	(224)	(314)
	2,358	29,033	3,623	5,173	1,430	41,617	397	16,335	1,811	1,362	19,905	61,522	57,334
Accumulated Amortization													
Beginning of year	-	9,508	2,205	2,929	687	15,329	201	3,729	390	347	4,667	19,996	18,584
Amortization expense	-	668	309	377	99	1,453	9	323	38	18	388	1,841	1,706
Transfers and adjustments	-	-	(4)	3	10	9	4	-	-	-	4	13	(18)
Effect of disposals including write-downs	-	(28)	(50)	(78)	(2)	(158)	-	-	-	-	-	(158)	(276)
	-	10,148	2,460	3,231	794	16,633	214	4,052	428	365	5,059	21,692	19,996
Net Book Value at March 31, 2012	$ 2,358	$ 18,885	$ 1,163	$ 1,942	$ 636	$ 24,984	$ 183	$ 12,283	$ 1,383	$ 997	$ 14,846	$ 39,830	
Net Book Value at March 31, 2011	$ 2,210	$ 17,735	$ 1,140	$ 1,861	$ 553	$ 23,499	$ 171	$ 11,376	$ 1,300	$ 992	$ 13,839		$ 37,338

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Construction in progress includes $295 million financed under the Alberta School Alternative Procurement Initiative (2011: $143 million). The cost of buildings under capital lease is $176 million (2011: $129 million).

(c) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(d) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(e) Land improvements include parks development and grazing reserves.

(f) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities. Included in these numbers are $1,421 million in historical cost (2011: $1,252 million) and $46 million in accumulated amortization (2011: $29 million) for alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships is $211 million (2011: $432 million).

(g) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

(h) Transfers and adjustments relate to post secondary institutions for accounting policy alignments and reclassifications between capital asset categories.

GUARANTEES

Schedule 13

	2012	2011	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 45	$ 42	Ongoing
Agriculture Financial Services Act	6	8	Ongoing
Alberta Housing Act	-	9	2011
Student Loan Act	2	4	Ongoing
	53	63	
Less estimated liability			
Guarantees	-	2	
	$ 53	$ 61	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act*, and
- *Student Loan Act*.

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus 2%.

The financial statements of the following entities are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly

Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner
Office of the Child and Youth Advocate [a]

Departments [b]

Advanced Education and Technology
Agriculture and Rural Development
Culture and Community Services
Education
Energy
Environment and Water
Executive Council
Finance
Health and Wellness
Human Services
Infrastructure
Intergovernmental, International and Aboriginal Relations
Justice
Municipal Affairs
Seniors
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks and Recreation
Transportation
Treasury Board and Enterprise

Regulated Funds

Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund

Regulated Funds (continued)

Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Lottery Fund
Alberta Risk Management Fund
Alberta School Foundation Fund
Climate Change and Emissions Management Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Land Stewardship Fund
Post-closure Stewardship Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Capital Finance Authority
Alberta Enterprise Corporation
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Innovates - Bio Solutions
Alberta Innovates - Energy and Environment Solutions
Alberta Innovates - Health Solutions
Alberta Innovates - Technology Futures
Alberta Investment Management Corporation
Alberta Livestock and Meat Agency
Alberta Local Authorities Pension Plan Corp.
Alberta Pensions Services Corporation
Alberta Petroleum Marketing Commission
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Alberta Utilities Commission
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
Energy Resources Conservation Board

Provincial Agencies (continued)

Human Rights Education and Multiculturalism Fund
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board
Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority
The Government House Foundation
The Wild Rose Foundation
Travel Alberta

Government Organizations

Alberta Insurance Council
Gainers Inc.
N.A. Properties (1994) Ltd.
Safety Codes Council

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

School Jurisdictions and Charter Schools

Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society

School Jurisdictions and Charter Schools (continued)

Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Cardiff Roman Catholic Separate School District No. 684
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
Cunningham Roman Catholic Separate School District No. 704
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
Foothills School Division No. 38
Fort McMurray Public School District No. 2833
Fort McMurray Roman Catholic Separate School District No. 32
Fort Vermilion School Division No. 52
Foundations for the Future Charter Academy Charter School Society
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28
Grande Prairie School District No. 2357
Grande Yellowhead Public School Division No. 77
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2
Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76

School Jurisdictions and Charter Schools (continued)

Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7 (including Alberta Distance Learning Centre)
Prairie Land Regional Division No. 25
Prairie Rose School Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer Public School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Valhalla School Foundation
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Post Secondary Institutions

Alberta College of Art and Design
Athabasca University
Banff Centre
Bow Valley College
Grande Prairie Regional College
Grant MacEwan University
Keyano College
Lakeland College
Lethbridge College
Medicine Hat College

Post Secondary Institutions (continued)

Mount Royal University
NorQuest College
Northern Alberta Institute of Technology
Northern Lakes College
Olds College
Portage College
Red Deer College
Southern Alberta Institute of Technology
University of Alberta
University of Calgary
University of Lethbridge

Alberta Health Services and Other Health Entities

Alberta Cancer Foundation
Alberta Health Services
Calgary Health Trust
Health Quality Council of Alberta

The following organizations are accounted for on the modified equity basis in these financial statements:

Government Business Enterprises

Alberta Gaming and Liquor Commission
ATB Financial
Credit Union Deposit Guarantee Corporation

(a) On April 1, 2012 the Alberta Child and Youth Advocate Act was proclaimed into force for the 2012-13 fiscal year and will make the Child and Youth Advocate an Officer of the Legislative Assembly. Previously, many of the activities of the Advocate were the responsibility of the Ministry of Human Services.

(b) On May 8, 2012, the government announced new ministry structures. Since the 2011-12 fiscal year was completed prior to this announcement, the ministry structure in this schedule is based on what was in existence at March 31, 2012.

GLOSSARY

Absolute return strategies: Absolute return strategies (hedge funds) encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, fixed income arbitrage, macroeconomic strategies, convertible arbitrage, distressed securities and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Alternative investments: Investments considered outside of the traditional asset class of stocks, bonds and cash. Examples include hedge funds, private equities, private income, timberland and asset-backed commercial paper.

Amortized cost: Amortized cost is the amount at which a financial asset or a financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The percentage of an investment fund's assets allocated to major asset classes (for example 50% equities, 30% interest-bearing securities and 20% inflation sensitive and alternative investments).

Bid price: The price a buyer is willing to pay for a security.

Call provision: An option included in a bond that gives the bond issuer the right to buy back all or part of a bond issue prior to maturity.

Cash equivalents: Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short tem cash commitments rather than for investing or other purposes.

Counterparty risk: The risk that the other party in an agreement will default.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Debt servicing cost: Debt servicing costs consists of interest paid on various forms of government debt.

Deferred capital contribution: An organization, which follows the deferral method of accounting, has a deferred capital contribution when an external party or a government sector entity contributes funds to the organization for the purchase of a tangible capital asset and the asset has not been purchased at the financial statement date. When the asset is purchased, the amount contributed is transferred to an account called unamortized deferred capital contributions.

Deferred contribution: An organization, which follows the deferral method of accounting, has a deferred contribution when an external party contributes funds to the organization for a specific purpose (other than for a capital item) and the funds remain unspent at the financial statement date. When the funds are used for the specific purpose, the contribution is recognized as revenue.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derecognition: The removal of previously recognized financial assets or financial liabilities from a government's statement of financial position.

Derivative contract: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or currency rates. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par or face value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging market: An economy in the early stages of development, with markets of sufficient size and liquidity, and receptive to foreign investment.

Endowment funds: Endowment funds generally are established by donor gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The endowments may or may not be restricted in how they are used.

Fair value: The amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is similar to market value.

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Leveraging: The use of various financial instruments or borrowed capital to increase the potential return of an investment.

Liquidity: The ease with which an asset can be turned into cash and the certainty of the value it will obtain.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: A value set as the face or principal amount of a security, typically expressed as multiples of $100 or $1,000. Bondholders receive par value for their bonds at maturity.

Prepaid expenses: An expenditure that is paid for in one accounting period, but which will not be entirely consumed until a future period. Consequently, it is carried on the Consolidated Statement of Financial Position as an asset until it is consumed.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Private equity: An ownership interest in a privately held company.

Public equity: An ownership interest in a publicly traded company.

Public private partnership (P3): A legally-binding contract between the Province and one or more public or private partners for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Repurchase agreement (Repo): An agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unamortized deferred capital contribution: Once an organization, which follows the deferral method of accounting, uses contributed funds to purchase a tangible capital asset, the amount contributed is transferred to an account called unamortized deferred capital contributions. As the tangible capital asset is amortized, the contribution is recorded as revenue.

Unmatured debt: Unredeemed Government securities that have not matured and that are issued in respect of money raised under section 56(1) of the Financial Administration Act, and the total outstanding borrowings of Alberta Social Housing Corporation.

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.